

UNIT AGREEMENT
ATOKA SAN ANDRES UNIT
EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
_____	EXHIBIT NO. _____
CASE NO. _____	

UNIT AGREEMENT
ATOKA SAN ANDRES UNIT
EDDY COUNTY, NEW MEXICO

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UNIT AGREEMENT
ATOKA SAN ANDRES UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of February, 1968
by the parties who have signed the original of this instrument, a counterpart
thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of oil, gas and associated minerals from the Atoka San Andres Field, in Eddy County, New Mexico, and to protect the rights of the owners of interest therein, it is deemed necessary and desirable to enter into this agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct a secondary recovery, pressure maintenance, or other recovery program as herein provided;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, it is agreed as follows:

ARTICLE 1

DEFINITIONS

As used in this agreement, the terms herein contained shall have the following meaning:

1.1 Unit Area means the lands described by Tracts in Exhibit A and shown on Exhibit B as to which this agreement becomes effective or to which it may be extended as herein provided.

1.2 Unitized Formation means the continuous stratigraphic interval of that subsurface portion of the Unit Area occurring between the top of the San Andres formation and nine hundred twenty feet (920') below the the top of the San Andres formation. The top of the San Andres formation is defined as the subsurface depth of 1,080 feet (elevation of 2,221 feet above sea level) as shown on the Halliburton Guard Log dated April 6, 1956, of Kewanee Oil Company's Fanning "S" Well No. 1 located in the NE SE in Section 14, Township 18 South, Range 26 East, Eddy County, New Mexico.

1.3 Unitized Substances means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

1.4	<u>Working Interest</u> means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation.	1 2 3 4 5 6
1.5	<u>Royalty Interest</u> means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.	7 8
1.6	<u>Royalty Owner</u> means a party hereto who owns a Royalty Interest.	9 10
1.7	<u>Working Interest Owner</u> means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.	11 12 13 14 15 16
1.8	<u>Tract</u> means each parcel of land described as such and given a Tract number in Exhibit A.	17 18
1.9	<u>Unit Operating Agreement</u> means the agreement entitled "Unit Operating Agreement, Atoka San Andres Unit, Eddy County, New Mexico", of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.	19 20 21 22
1.10	<u>Unit Operator</u> means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.	23 24 25 26
1.11	<u>Tract Participation</u> means the percentage shown on Exhibit A for allocating Unitized Substances to a Tract under this agreement.	27 28 29
1.12	<u>Unit Participation</u> of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.	30 31 32 33
1.13	<u>Outside Substances</u> means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.	34 35 36

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

- 1.14 Oil and Gas Rights means the right to explore, develop, and
operate lands within the Unit Area for the production of Unitized Substances,
or to share in the production so obtained or the proceeds thereof.
- 1.15 Unit Operations means all operations conducted by Working
Interest Owners or Unit Operator pursuant to this agreement and the Unit
Operating Agreement for or on account of the development and operation of
the Unitized Formation for the production of Unitized Substances.
- 1.16 Unit Equipment means all personal property, lease and well
equipment, plants, and other facilities and equipment taken over or other-
wise acquired for the joint account for use in Unit Operations.
- 1.17 Unit Expense means all cost, expense, or indebtedness in-
curred by Working Interest Owners or Unit Operator pursuant to this agree-
ment and the Unit Operating Agreement for or on account of Unit Operations.
- 1.18 Tract Usable Wells means the number of wells on each Tract
designated by the Working Interest Owners to be usable for Unit Operations
and shown on Exhibit B.
- 1.19 Unit Area Usable Wells means the total Tract Usable Wells
of all Tracts in the Unit Area.
- 1.20 Tract Current Production means the number of barrels of
oil produced from such Tract from the Unitized Formation during the
period May 1, 1966 to May 1, 1967.
- 1.21 Unit Area Current Production means the total Tract Current
Production of all Tracts in the Unit Area.
- 1.22 Tract Ultimate Primary Production means the total number
of barrels of oil which have been determined could be economically pro-
duced from such Tract from the Unitized Formation by primary recovery
methods.
- 1.23 Unit Area Ultimate Primary Production means the total
Tract Ultimate Primary Production of all Tracts in the Unit Area.

ARTICLE 2

EXHIBITS

- 2.1 Exhibits. Attached hereto are the following exhibits which
are incorporated herein by reference:

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

2.1.1 Exhibit A, which is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.1.2 Exhibit B, which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.2 Reference to Exhibits. When reference herein is made to an exhibit the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

2.3 Exhibits Considered Correct. An exhibit shall be considered correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners, shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised pursuant to this agreement, Unit Operator shall certify and file the revised exhibit for record in the County in which this agreement is filed.

ARTICLE 3

CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. Subject to the provisions of this agreement, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit A, and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that operations may be conducted as if the Unitized Formation had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease had been subject to all of the provisions of this agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreement. The provisions of the various leases, agreements, division and transfer orders, or other instruments covering the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Royalties. Operations, including drilling operations, conducted with respect to the Unitized Formation on any part of the Unit Area, or production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each Tract, and such operations or production shall continue in effect each lease or term royalty interest as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each Tract.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party or to Unit Operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6 Injection Rights. Royalty Owners hereby grant unto Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, including the right to drill and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells for such purposes.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from the obligation to develop reasonably as a whole the lands and leases committed hereto.

ARTICLE 4

PLAN OF OPERATIONS

4.1 Unit Operator. Working Interest Owners are, as of the effective date of this agreement, entering into the Unit Operating Agreement

designating Kewanee Oil Company as Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations. The operations shall conform to the provisions of this agreement and the Unit Operating Agreement. If there is any conflict between such agreements, this agreement shall govern.

4.2 Operating Methods. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, engage in secondary recovery operations by injecting into the Unitized Formation gas, water or other fluids or combinations thereof deemed necessary or desirable to efficiently and economically increase the ultimate recovery of Unitized Substances.

4.3 Change of Operating Methods. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary or desirable to increase the ultimate recovery of Unitized Substances.

ARTICLE 5

TRACT PARTICIPATION

5.1 Tract Participation. The Tract Participation of each Tract is shown in Exhibit A and has been computed as follows, using data approved by the Working Interest Owners:

5.1.1 Phase I Participation. Beginning at 7:00 a. m. on the effective date hereof and until 7:00 a. m. on the first day of the month next following the date when the cumulative oil produced, saved and removed from the Unitized Formation from all Tracts in the Unit Area from and after July 1, 1967, equals 1,000,000 barrels, the Tract Participation of each Tract shall be equal to:

$$9\% \times (\text{times}) \frac{\text{Tract Usable Wells}}{\text{Unit Area Usable Wells}} + (\text{plus})$$

$$91\% \times (\text{times}) \frac{\text{Tract Current Production}}{\text{Unit Area Current Production}}$$

5.1.2 Phase II Participation. Beginning at 7:00 a.m. on 1
the first day of the month following the date when the 1,000,000 2
barrels referred to in Section 5.1.1 above shall have been pro- 3
duced, the Tract Participation of each Tract shall be equal to: 4

$$100\% \times (\text{times}) \frac{\text{Tract Ultimate Primary Production}}{\text{Unit Area Ultimate Primary Production}}$$
 5
6

5.2 Relative Tract Participations. If the Unit Area is enlarged 7
or reduced, the revised Tract Participations of the Tracts remaining in the 8
Unit Area and which were within the Unit Area prior to the enlargement or 9
reduction shall remain in the same ratio one to another. 10

ARTICLE 6 11

ALLOCATION OF UNITIZED SUBSTANCES 12

6.1 Allocation to Tracts. All Unitized Substances produced and 13
saved shall be allocated to the several Tracts in accordance with the 14
respective Tract Participations effective during the period that the Unitized 15
Substances were produced. The amount of Unitized Substances allocated to 16
each Tract, regardless of whether it is more or less than the actual pro- 17
duction of Unitized Substances from the well or wells, if any, on such Tract, 18
shall be deemed for all purposes to have been produced from such Tract. 19

6.2 Distribution Within Tracts. The Unitized Substances 20
allocated to each Tract shall be distributed among, or accounted for to, 21
the parties entitled to share in the production from such Tract in the same 22
manner, in the same proportions, and upon the same conditions as they 23
would have participated and shared in the production from such Tract, or 24
in the proceeds thereof, had this agreement not been entered into, and 25
with the same legal effect. 26

6.2.1 If the amount of production or the proceeds thereof 27
accruing to any Royalty Owner in a Tract depends upon the 28
average production per well or the average pipeline runs per 29
well from such Tract during any period of time, then such 30
production shall be determined from and after the effective date 31
hereof by dividing the quantity of Unitized Substances allocated 32
hereunder to such Tract during such period of time by the 33
number of wells located thereon capable of producing as of the 34
effective date hereof. 35

6.2.2 If any Oil and Gas Rights in a Tract hereafter 36
become divided and owned in severalty as to different parts 37

of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

6.4 Failure to Take in Kind. If any party fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share; provided that, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other Working Interest Owner's share of gas production without first giving such other Working Interest Owner sixty (60) days' notice of such intended sale. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owners for distribution to the parties entitled thereto.

6.5 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

6.6 Royalty on Outside Substances. If any Outside Substance consisting of natural gases is injected into the Unitized Formation, fifty percent (50%) of any like substance contained in Unitized Substances subsequently produced and sold, or used for other than Unit Operations, shall be deemed to be the Outside Substance so injected until the total volume thereof equals the total volume of such Outside Substance so injected, and no payments shall be due or payable to Royalty Owners on said fifty percent (50%). If the Outside Substances injected be liquefied petroleum gases, or other liquid hydrocarbons, as distinguished from natural gases prior to injection, the Working Interest Owners shall have the right, beginning one (1) year after injection of such liquefied petroleum gases is commenced, to recover all such injected hydrocarbons without payment of royalty; and, to provide a reasonable and practical basis of accounting for the same, it is agreed that ten percent (10%) of the Unitized Substances produced and sold from the Unitized Formation shall be deemed to be Outside Substances until the aggregate value of said ten percent (10%) of said Unitized Substances equals the entire accumulated cost to the Working Interest Owners of such Outside Substances and such ten percent (10%) will be in addition to that which is being recovered for natural gases as hereinabove provided if both liquefied petroleum gas or other hydrocarbons and natural gases are injected.

ARTICLE 7

PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil in Lease Tanks. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payments of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after effective date hereof.

7.2 Overproduction. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

Substances produced after the effective date hereof and shall be charged 1
to such Tract as having been delivered to the parties entitled to Unitized 2
Substances allocated to such Tract. 3

ARTICLE 8 4

USE OR LOSS OF UNITIZED SUBSTANCES 5

8.1 Use of Unitized Substances. Working Interest Owners may 6
use as much of the Unitized Substances as they deem necessary for Unit 7
Operations, including but not limited to the injection thereof into the 8
Unitized Formation. 9

8.2 Royalty Payments. No royalty, overriding royalty, production 10
or other payments shall be payable upon, or with respect to, Unitized Sub- 11
stances used or consumed in Unit Operations, or which otherwise may be 12
lost or consumed in the production, handling, treating, transportation, or 13
storing of Unitized Substances. 14

ARTICLE 9 15

TRACTS TO BE INCLUDED IN UNIT 16

9.1 Qualification of Tracts. On and after the effective date 17
hereof and until the enlargement or reduction thereof, the Unit Area shall 18
be composed of the Tracts listed in Exhibit A that corner or have a com- 19
mon boundary (Tracts separated only by a public highway or a railroad 20
right of way shall be considered to have a common boundary), and that 21
otherwise qualify as follows: 22

9.1.1 Each Tract as to which Working Interest 23
Owners owning one hundred percent (100%) of the Working 24
Interest have become parties to this agreement and as to which 25
Royalty Owners owning seventy-five percent (75%) or more of 26
the Royalty Interest have become parties to this agreement. 27

9.1.2 Each Tract as to which Working Interest Owners 28
owning one hundred percent (100%) of the Working Interest have 29
become parties to this agreement, and as to which Royalty Owners 30
owning less than seventy-five percent (75%) of the Royalty Interest 31
have become parties to this agreement, and as to which the Working 32
Interest Owners in such Tract have executed and delivered an 33
indemnity agreement indemnifying and agreeing to hold harmless 34

the other Working Interest Owners in the Unit Area, their successors 1
and assigns against a portion of all claims and demands that may 2
be made by nonsubscribing owners of Royalty Interest in such 3
Tract on account of the inclusion of the Tract in the Unit Area. 4
The portion of such claims and demands covered by the indemnity 5
shall, as to each such Tract, be the fraction thereof in which the 6
numerator is the difference between the percentage of the Royalty 7
Interest signed and seventy-five percent (75%) of the Royalty 8
Interest in the Tract; and the denominator is the difference 9
between the percentage of the Royalty Interest signed and one 10
hundred percent (100%) of the Royalty Interest in the Tract. 11

9.1.3 Each Tract as to which Working Interest Owners 12
owning less than one hundred percent (100%) of the Working 13
Interest have become parties to this agreement; and Royalty 14
Owners owning seventy-five percent (75%) or more of the Royalty 15
Interest have become parties to this agreement, or the indemnity 16
with reference to the claims of nonsubscribing owners of Royalty 17
Interest in such Tract is given under the provisions of Section 18
9.1.2; and as to which (a) the Working Interest Owner who operates 19
the Tract and all of the other Working Interest Owners in such 20
Tract who have become parties to this agreement have joined in 21
a request for inclusion of such Tract in the Unit Area, and have 22
executed and delivered an indemnity agreement indemnifying and 23
agreeing to hold harmless the other Working Interest Owners in 24
the Unit Area, their successors and assigns, against all claims 25
and demands that may be made by the owners of Working Interest 26
in such Tract who are not parties to this agreement and which 27
arise out of the inclusion of the Tract in the Unit Area; and as to 28
which (b) eighty percent (80%) of the combined voting interest of 29
the Working Interest Owners in all Tracts that meet the require- 30
ments of Sections 9.1.1 and 9.1.2 have voted in favor of the 31
inclusion of such Tract and to accept the indemnity agreement. 32
For the purposes of this Section 9.1.3, the voting interest of 33
each Working Interest Owner shall be equal to the ratio that its 34
Phase I Unit Participation attributable to Tracts that qualify 35
under Sections 9.1.1 and 9.1.2 bears to the Total Phase I Unit 36
Participation of all Working Interest Owners attributable to all 37
Tracts that qualify under Sections 9.1.1 and 9.1.2. Upon the 38
inclusion of such a Tract in the Unit Area, the Unit Participation 39
that would have been attributed to the nonsubscribing owners of 40
the Working Interest in such Tract, had they become parties to 41
this agreement and the Unit Operating Agreement, shall be 42
attributed to the Working Interest Owners in such Tract who 43
have become parties to such agreements, in proportion to their 44
respective Working Interests in the Tract. 45

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9.2 Subsequent Commitment of Interest to Unit. After the effective date of this agreement, the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest; provided, however, any formerly committed interest as to which title has failed may be recommitted by the rightful owner on its former basis of participation, as provided in Section 10.1 hereof.

9.3 Acquisition of Uncommitted Interest. In the event any party bound by this agreement acquires an uncommitted interest in any Tract included within the Unit Area, such interest upon being so acquired shall, upon approval by the Working Interest Owners, be subject to this agreement and, where the interest acquired is a Working Interest, shall also be subject to the Unit Operating Agreement.

9.4 Revision of Exhibits. If any of the Tracts described in Exhibit A fail to qualify for inclusion in the Unit Area, Unit Operator shall recompute, using the original basis of computation, the Tract Participation of each of the qualifying Tracts, and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of the effective date hereof. If revision is effected as provided in this section, the 1,000,000 barrels referred to in Sections 5.1.1 and 5.1.2 hereof shall be reduced by an amount equal to the product of 1,000,000 barrels and the Phase I Participation as shown in Exhibit A of such non-qualifying Tract.

ARTICLE 10

TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 9 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined; however, the Tract shall not be removed from the Unit Area if, within ninety (90) days of the date of final determination of the failure of title, the Tract requalifies under a Section of Article 9. If a Tract should be removed as provided in this section while Phase I Participations as shown in Exhibit A are in effect, the 1,000,000 barrels of cumulative oil referred to in Sections 5.1.1 and 5.1.2, or as adjusted pursuant to Section 9.4 hereof, shall be reduced by an amount equal to the product of the remaining barrels of oil to be produced under Phase I and the Phase I Participation as shown in Exhibit A of such Tract removed from the Unit Area.

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of the failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Owner Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

10.5 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the discretion of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner if title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto without interest.

10.6 Payment of Taxes to Protect Title. The owners of (1) the surface rights to lands within the Unit Area, (2) the severed mineral or Royalty Interests in the lands, and (3) the improvements not utilized for Unit Operations, shall individually be responsible for the rendition and assessment for ad valorem tax purposes of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner. If any ad valorem taxes are not paid by such owner responsible therefor

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

when due, Unit Operator may, with approval of Working Interest Owners, at any time prior to tax sale, or expiration of period of redemption after tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. Any such payment shall be treated as an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due to any delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to the joint account. Such withholding shall be without prejudice to any other remedy, either at law or at equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

ARTICLE 11

EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for Unit Operations; provided that, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant, or camp site.

11.2 Use of Water. Working Interest Owners shall have free use of water from the Unit Area for Unit Operations except that the use of fresh water for injection purposes shall be governed by separate contracts and agreements made and entered into by and between Unit Operator and the owner or owners of water rights subject, however, to approval by the State Engineer. Nothing herein contained shall be construed as a relinquishment by the Working Interest Owners of any rights granted to them under the provisions of the various leases covering the respective tracts insofar as they pertain to the use of water.

11.3 Surface Damages. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

ARTICLE 12

ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may be enlarged to include acreage reasonably proved to be productive of Unitized Substances, upon such terms as may be determined by Working Interest Owners, including but not limited to, the following:

12.1.1 The acreage shall qualify under a Section 1
of Article 9. 2

12.1.2 The participation to be allocated to the acreage 3
shall be reasonable, fair, and based on all available information. 4

12.1.3 There shall be no retroactive allocation or 5
adjustment of Unit Expense or of interests in the Unitized 6
Substances produced, or proceeds thereof; however, this 7
limitation shall not prevent an adjustment of investment, 8
including intangible investment, by reason of the enlargement. 9

12.2 Determination of Tract Participation. Unit Operator, 10
subject to Section 5.2, shall determine the Tract Participation of each 11
Tract within the Unit Area as enlarged, and shall revise Exhibits A and 12
B accordingly. 13

12.3 Effective Date. The effective date of any enlargement of 14
the Unit Area shall be 7:00 a.m. on the first day of the calendar month 15
following compliance with conditions for enlargement as specified by 16
Working Interest Owners, approval of the enlargement by the appropriate 17
governmental authority, if required, and the filing for record of revised 18
Exhibits A and B in the records of the County in which this agreement is 19
recorded. 20

ARTICLE 13 21

CHANGE OF TITLE 22

13.1 Covenant Running With The Land. This agreement shall 23
extend to, be binding upon, and inure to the benefit of, the respective 24
heirs, devisees, legal representatives, successors, and assigns of the 25
parties hereto, and shall constitute a covenant running with the lands, 26
leases, and interests covered hereby. 27

13.2 Notice of Transfer. Any conveyance of all or any part of 28
any interest owned by any party hereto with respect to any Tract shall 29
be made expressly subject to this agreement. No change of title shall 30
be binding on the Unit Operator, or upon any party hereto other than 31
the party so transferring, until the first day of the calendar month next 32
succeeding the date of receipt by Unit Operator of a photocopy or a 33
certified copy of the recorded instrument evidencing such change in 34
ownership. 35

13.3 Waiver of Rights to Partition. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

ARTICLE 14

RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

14.2 No Sharing of Market. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.

14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay for Unit Expense unless such Royalty Owner is otherwise so obligated.

14.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

ARTICLE 15

LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement shall be subject to the conservation laws of the State of New Mexico; to the valid rules, regulations and orders of the Conservation Commission of the State of New Mexico; and to all other applicable federal, state and municipal laws, rules, regulations and orders.

ARTICLE 16

FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended

while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state, or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause of causes beyond reasonable control of the party. No party shall be required against its will to adjust or settle any labor dispute. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 17

EFFECTIVE DATE

17.1 Effective Date. This agreement shall become binding upon each party as of the date such party signs the instrument by which it becomes a party hereto, and, unless sooner terminated as provided in Section 17.3, shall become effective as to qualified Tracts at the time and date as determined by the Working Interest Owners in all the qualified Tracts, and set forth in a certificate filed for record by Unit Operator in Eddy County, New Mexico. The certificate shall not be filed until after the following requirements have been met:

17.1.1 Tracts comprising eighty-five percent (85%) or more of the Unit Area as shown on the original Exhibit B have qualified under the provisions of Article 9 or less than such number of Tracts has so qualified and a lesser unit has been formed pursuant to the terms and provisions of Section 17.2.

17.1.2 At least one counterpart of this agreement and of any agreement to form a lesser unit entered into in accordance with Section 17.2 has been filed for record by Unit Operator in Eddy County, New Mexico.

17.1.3 This agreement has been approved by the appropriate governmental authority if required.

17.2 Election to Reduce Unit Area Prior to Effective Date. If Tracts representing less than eighty-five percent (85%) of the Unit Area as outlined on original Exhibit B qualify in accordance with Article 9, then Working Interest Owners in the Tracts which qualify may elect to form a lesser unit composed of such Tracts representing less than eighty-five percent (85%) of the Unit Area by an affirmative vote of Working Interest Owners owning a combined Phase I Unit Participation of at least ninety percent (90%) in the qualifying Tracts. The election to form a lesser unit shall be evidenced by a written agreement between the

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

Working Interest Owners so electing, which agreement shall designate the lands to be included in such lesser Unit Area and shall provide that this Unit Agreement shall be effective as to such lesser Unit Area upon compliance with the provisions of Section 17.1. Working Interest Owners so joining therein shall revise Exhibits A and B to conform to such lesser Unit Area so formed.

17.3 Ipsa Facto Termination. If the requirements of Section 17.1 are not accomplished on or before February 1, 1969, this agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Phase I Unit Participation of at least seventy-five percent (75%) have become parties to this agreement and seventy percent (70%) of the combined voting interest of such signatory parties have decided to extend the termination date for a period not to exceed six (6) months. If the termination date is so extended and the requirements of Section 17.1 are not accomplished on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect.

ARTICLE 18

TERM

18.1 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

18.2 Termination by Working Interest Owners. This agreement may be terminated by Working Interest Owners having a combined Phase II Unit Participation of at least eighty percent (80%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a Unit shall be abandoned, Unit Operations shall cease, and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate Tracts.

18.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract unitized

under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

18.5 Certificate of Termination. Upon termination of this agreement as provided in either Section 18.1 or Section 18.2 above, the Unit Operator shall file for record in Eddy County, New Mexico, a certificate evidencing such termination.

ARTICLE 19

EXECUTION

19.1 Original, Counterpart, or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

ARTICLE 20

CARVED-OUT INTEREST

20.1 Carved-Out Interest Subject to this Agreement. In the event any Working Interest Owner shall, after executing this agreement, create an overriding royalty, production payment, net proceeds, carried interest, or any other interest out of its Working Interest then subject to this agreement, such carved-out interest shall be subject to the terms and provisions of this agreement, and the Unit Operating Agreement specifically including, but not by way of limitation, Section 11.5 of the Unit Operating Agreement. In the event the Working Interest Owner creating such carved-out interest (a) fails to pay any costs or expenses chargeable to such Working Interest Owner under this agreement or the Unit Operating Agreement and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (b) withdraws from this agreement under the terms and provisions of Article 17 of the Unit Operating Agreement, the carved-out interest shall be chargeable with a pro rata portion of all costs and

Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico

expenses incurred hereunder, the same as though such carved-out
interest were a Working Interest and Unit Operator shall have the right
to enforce against such carved-out interest the lien and all other rights
granted in Section 11.5 of the Unit Operating Agreement for the purpose
of collecting the costs and expenses chargeable to said carved-out interest.

ARTICLE 21

GENERAL

21.1 Amendments Affecting Working Interest Owners. Amend-
ments hereto relating wholly to Working Interest Owners may be made if
signed by all Working Interest Owners.

21.2 Action by Working Interest Owners. Any action or approval
required by Working Interest Owners hereunder shall be in accordance
with the provisions of the Unit Operating Agreement.

21.3 Lien of Unit Operator. Unit Operator shall have a lien
upon the interests of Working Interest Owners in the Unit Area to the
extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this
agreement on the date opposite their respective signatures.

WORKING INTEREST OWNERS

KEWANEE OIL COMPANY

Date Signed

ATTEST:

By _____
Vice President

By _____
Assistant Secretary

EXHIBIT A

TO

UNIT AGREEMENT
ATOKA SAN ANDRES UNIT
EDDY COUNTY, NEW MEXICO

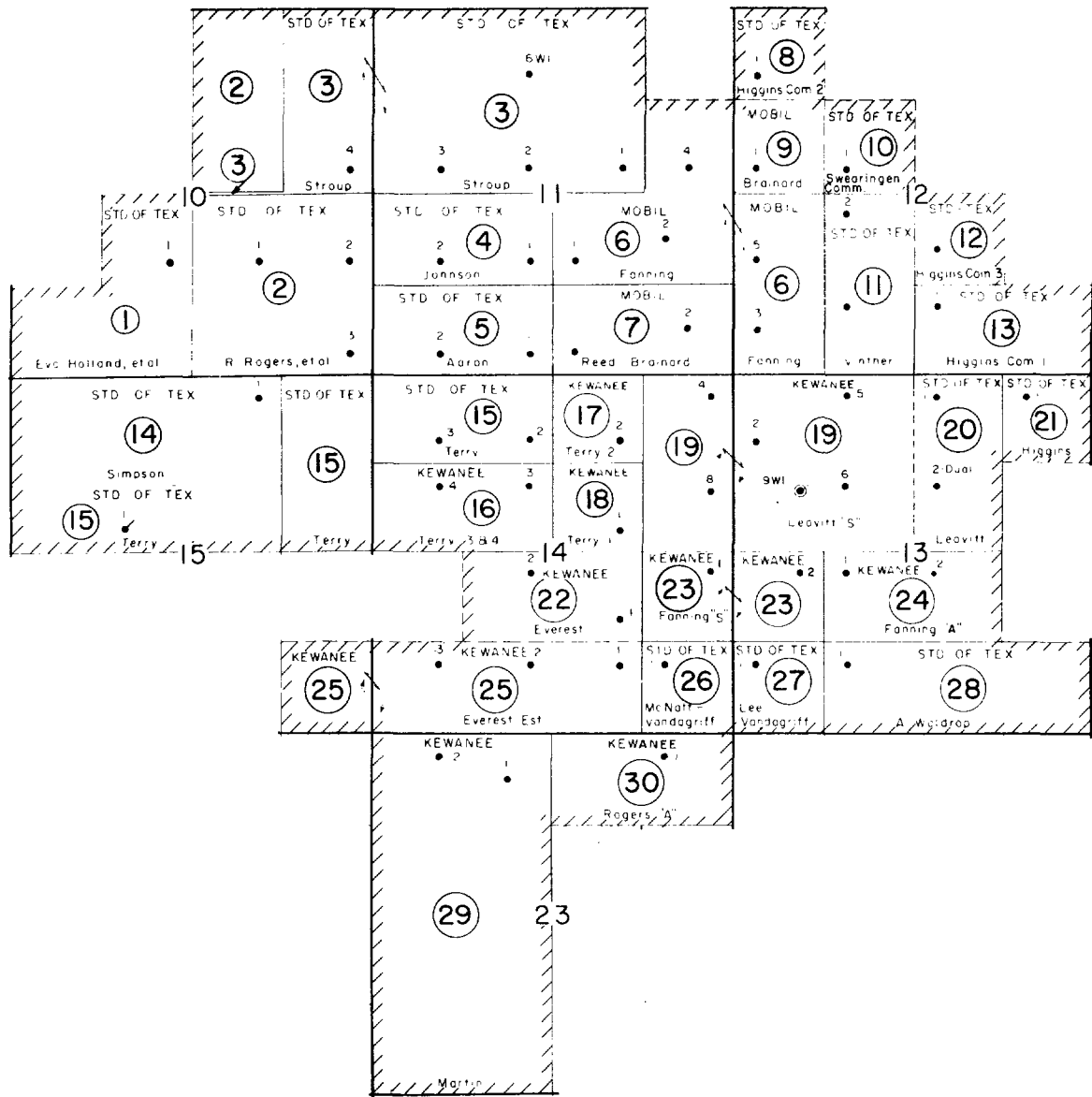
Tract No.	Description of Acreage	Acres	Percent Tract Participation	
			Phase I	Phase II
	<u>All in T-18S, R-26E</u>			
1	S/2 SW/4 and NE/4 SW/4 Section 10	120	0.61607	0.14999
2	SE/4 and W/2 NE/4 Section 10, except the south eight feet of W/2 NE/4 of said Section 10	239.76	5.26099	4.98037
3	E/2 NE/4 and the south eight feet of W/2 NE/4 Section 10 and NW/4 and W/2 NE/4 Section 11	320.24	4.47865	3.44932
4	N/2 SW/4 Section 11	80	3.10536	3.81462
5	S/2 SW/4 Section 11	80	5.05309	6.84052
6	N/2 SE/4 and SE/4 NE/4 Section 11 and W/2 SW/4 Section 12	200	5.98666	7.59756
7	S/2 SE/4 Section 11	80	4.42816	6.06825
8	NW/4 NW/4 Section 12	40	0.37344	0.26782
9	SW/4 NW/4 Section 12	40	1.30669	1.58918
10	SE/4 NW/4 Section 12	40	1.57674	0.88946
11	E/2 SW/4 Section 12	80	3.12812	3.46707
12	NW/4 SE/4 Section 12	40	1.95490	0.96971
13	S/2 SE/4 Section 12	80	1.07080	0.87744
14	N-2/3 NW/4 and N-2/3 W/2 NE/4 Section 15	160	0.65745	0.54160

Exhibit A to Unit Agreement
Atoka San Andres Unit
Eddy County, New Mexico

Tract No.	Description of Acreage	Acres	Percent Tract Participation	
			Phase I	Phase II
15	N/2 NW/4 Section 14 and E/2 NE/4 and S-1/3 NW/4 and S-1/3 W/2 NE/4 Section 15	240	3.69712	4.53263
16	S/2 NW/4 Section 14	80	4.71166	6.29652
17	NW/4 NE/4 Section 14	40	2.83953	3.57065
18	SW/4 NE/4 Section 14	40	3.30305	5.11302
19	NW/4 Section 13 and E/2 NE/4 Section 14	240	5.93227	7.36657
20	W/2 NE/4 Section 13	80	1.53839	1.87370
21	NE/4 NE/4 Section 13	40	0.86334	0.76300
22	NE/4 SW/4 and NW/4 SE/4 Section 14	80	5.59525	8.21095
23	NW/4 SW/4 Section 13 and NE/4 SE/4 Section 14	80	10.19426	5.93534
24	NE/4 SW/4 and NW/4 SE/4 Section 13	80	7.17670	1.60157
25	S/2 SW/4 and SW/4 SE/4 Section 14 and SE/4 SE/4 Section 15	160	3.87042	3.22267
26	SE/4 SE/4 Section 14	40	1.67865	3.45083
27	SW/4 SW/4 Section 13	40	3.17165	2.58531
28	SE/4 SW/4 and S/2 SE/4 Section 13	120	4.92900	2.88836
29	W/2 Section 23	320	0.96881	0.56652
30	N/2 NE/4 Section 23	80	0.53278	0.51945
TOTALS		3,360	100.00000	100.00000

R 26 E

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LEGEND

////// UNIT BOUNDARY
① TRACT NUMBER

- OIL WELL
- - - - - ABDN. OIL WELL
- - - - - TEMP. ABDN. OIL WELL
- ⊙ WATER INPUT WELL

EXHIBIT "B"

TO

UNIT AGREEMENT

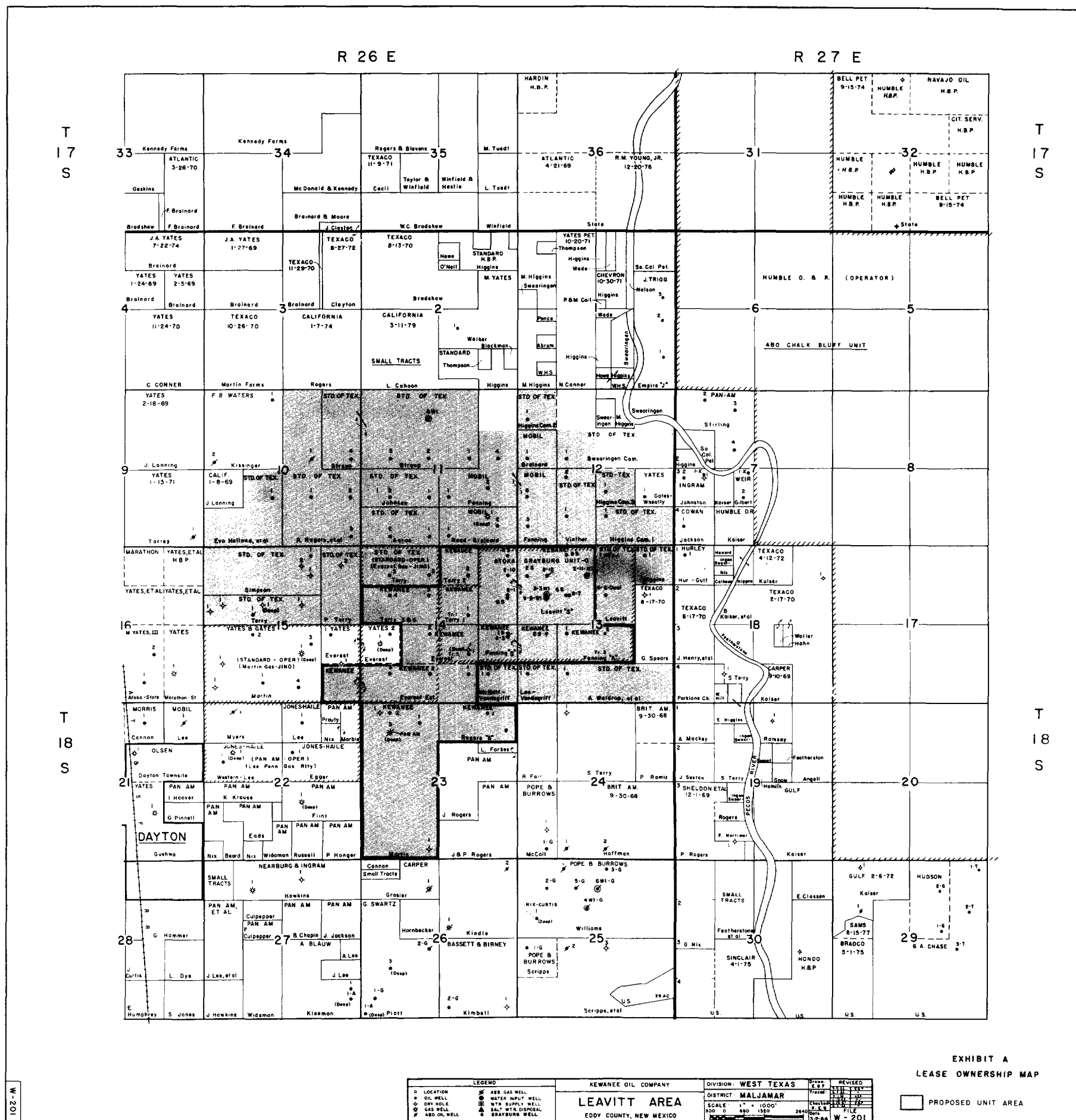
ATOKA SAN ANDRES UNIT

EDDY COUNTY, NEW MEXICO

August, 1968

LIST OF EXHIBITS

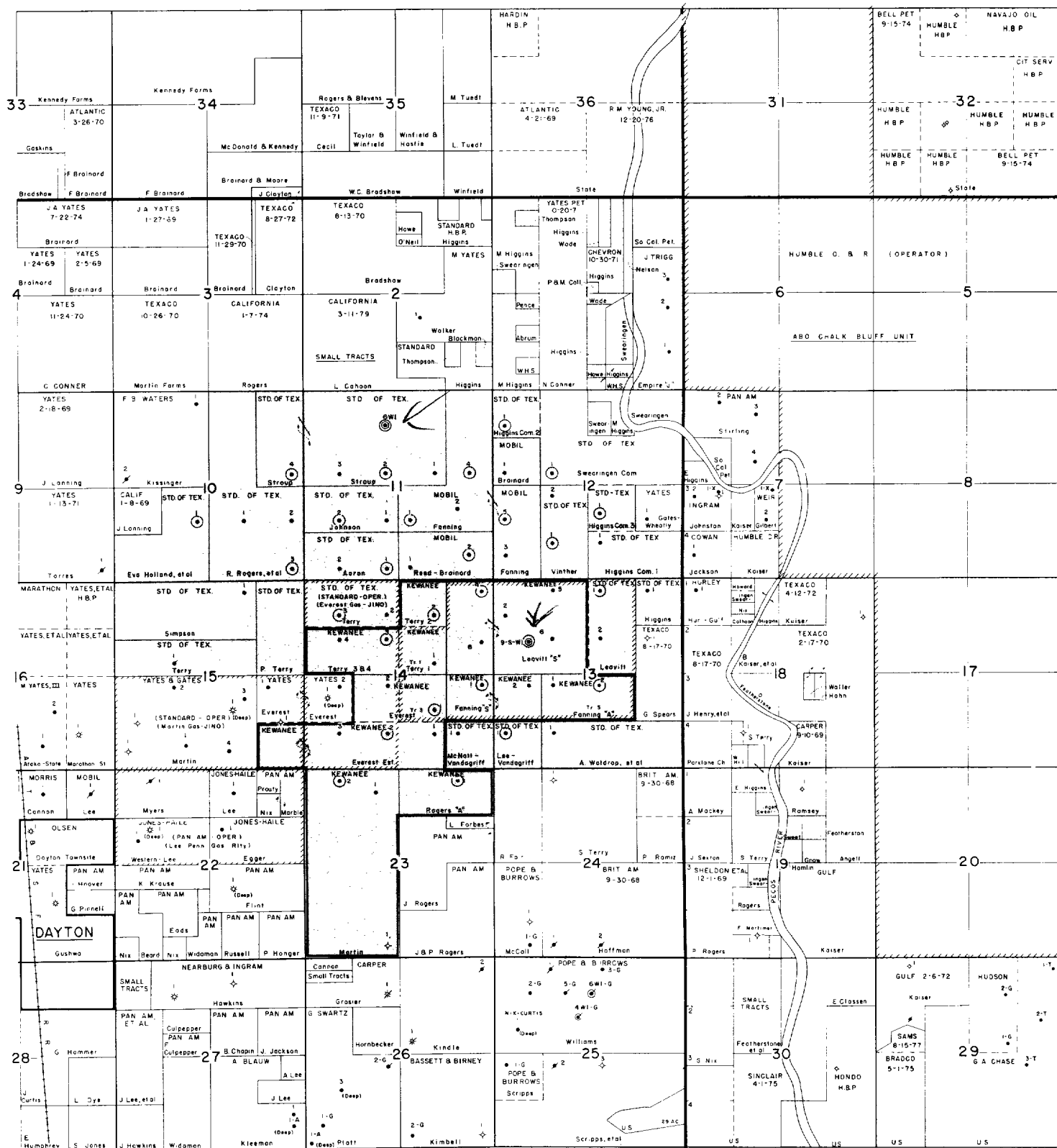
- A. - Proposed Unit Area & Adjacent Ownership
- B. - Proposed Injection Wells
- C. - Structure Contour Map
- D. - Typical Log of Injection Well
- E. - Sketch of Typical Injection Well
- F. - Proposed Injection Well Completion Data
- G. - Production Graph of Unit Area
- H. - Key to Unit Tract Numbers



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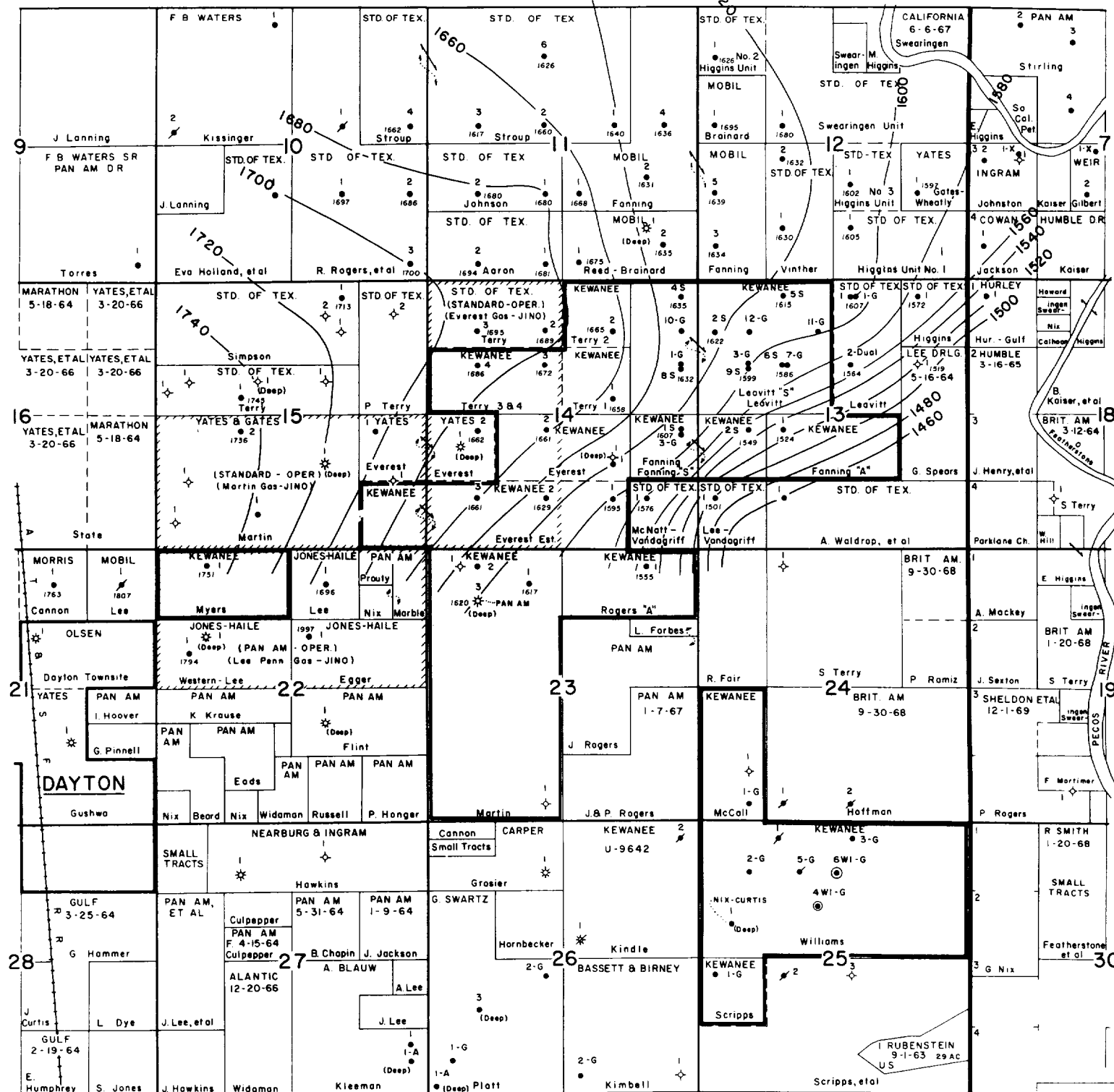
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EXHIBIT B
PROPOSED INJECTION WELLS○ PROPOSED INJECTION WELLS
□ PROPOSED UNIT AREA

LEGEND		KEWANE OIL COMPANY		DIVISION WEST TEXAS		Eddy	
○ LOCATION	ABO GAS WELL	LEAVITT AREA		DISTRICT MALJAMAR		EDDY	REVISED
● OIL WELL	WATER INPUT WELL	EDDY COUNTY, NEW MEXICO		SCALE 1" = 1000'		FILE	FILE
○ DRY HOLE	WTR SUPPLY WELL			100' 0" 600' 1320'		3/2/64 W-201	
○ GAS WELL	SALT WTR DISPOSAL						
● ABO OIL WELL	GRAYBURG WELL						

R 26 E

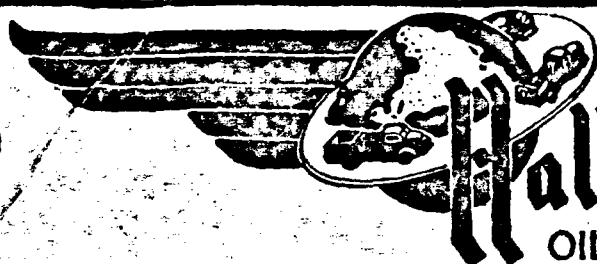
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LEGEND	
○ LOCATION	ABO GAS WELL
● OIL WELL	WATER INPUT WELL
◇ DRY HOLE	WTR SUPPLY WELL
★ GAS WELL	SALT WTR DISPOSAL
✱ ABO OIL WELL	GRAYBURG WELL
	SAN ANDRES WELL

KEWANE OIL COMPANY
LEAVITT AREA
EDDY COUNTY, NEW MEXICO

DIVISION: WEST TEXAS	Drawn: E G F	REVISED
DISTRICT: MALJAMAR	Traced	3-1-64
SCALE 1" = 1000'	Checked: K E G	FILE
500 0 660 1320 2640	Date: 3-2-64	W - 201



OIL WELL CEMENTING CO.

RADIOACTIVITY LOG

NATURAL GAMMA RADIATION

INDUCED GAMMA RADIATION

COMPANY ILLAMEX OIL, INCORPORATE FILE WELL TERRY # 2 FIELD Atoka County Eddy State N.M.	COMPANY ILLAMEX OIL, INCORPOR-		Location	
	ATED FILE		1650' from E/L 990' from N/L	
	WELL TERRY # 2		Sec. 2	
	FIELD Atoka		Twp. 18-S Rge. 26-E	
	COUNTY Eddy STATE New Mex		GR-NG	
SEC. 2 TWP. 18-S RGE. 26-E		Elev. R.T 3310'		
SURVEY		K.B. N.A. Grd. 3305'		
Log Measured From Rotary Table		Elevation 3310'		
Drilling Measured From Rotary Table		Elevation 3310'		
Permanent Datum Ground level		Elevation 3305'		
Type Log	GAMMA	N. GAMMA		
Run No.	ONE	ONE		
Date	4-5-57	4-5-57		
Footage Logged	1693'	1693'		
Total Depth, Driller	1700'	1700'		
Total Depth, Logged	1693'	1703'		
Type of Fluid in Hole	Mud	Mud		
Fluid Level		195		
Max. Temp.	81 F	81 F	F	F
Neutron Source Strength		400 mg		
Source to Center of Counter	in.	19 in.	in.	in.
Length Meas. Device-in	29 in	14 in		
O.D. of Instrument-in	3 5/8"	3 5/8"		
Time Constant-sec.	2	2	EXHIBIT "D"	
Logging Speed Ft. min.	See Remarks		Terry #2	
Neutron Source Code		Purple	Typical Injection Well	
Truck No.	4018			
Recorded by	P.C. Harris			
Witnessed by	M.W. Jones			

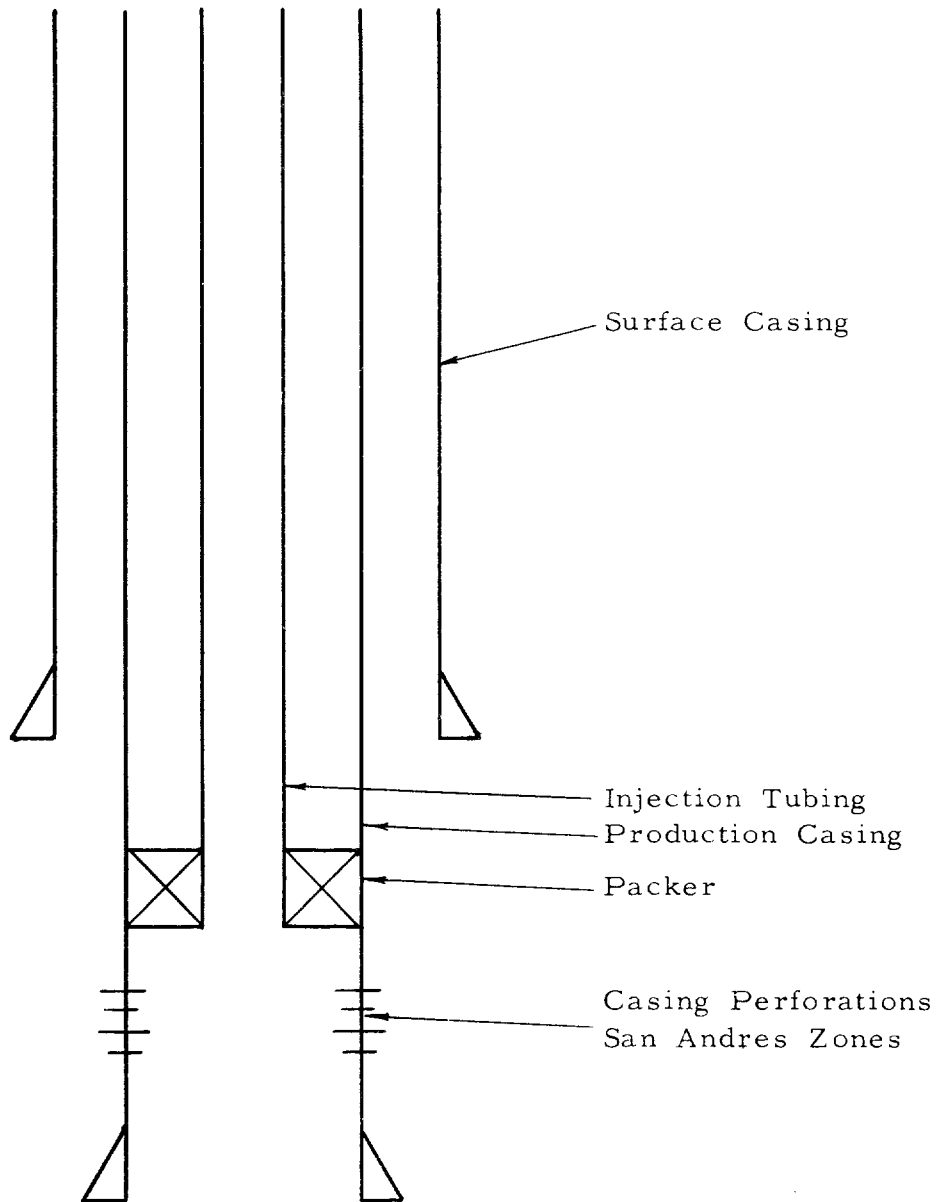


EXHIBIT "E"
Typical Injection Well
Completion Technique

EXHIBIT "F"

Injection Well Data

<u>Operator</u> <u>Lease</u>	<u>Well No.</u>	<u>Location</u>	<u>Casing</u>	<u>Depth</u>	<u>Cement</u>	<u>Cement</u> <u>Top</u>	<u>Total Depth</u>	<u>Completion Interval</u>
<u>Kewanee Oil Co.</u>								
Rogers "A"	#1	NE NE Sec. 23	8 5/8"	1228'	480sax	Surface	1804'	
			5 1/2"	1804'	150sax	1050'		1698-1791
Martin	#2	NW NW Sec. 23	8 5/8"	1204'	450sax	Surface	1795'	
			5 1/2"	1795'	150sax	900'		1382-1683
Everest Est.	#2	SE SW Sec. 14	8 5/8"	1100'	450sax	Surface	1760'	
			5 1/2"	1760'	475sax	Surface		1698-1708
Everest	#1	NW SE Sec. 14	8 5/8"	761'	586sax	Surface	1849'	
			5 1/2"	1848'	280sax	Surface		1630-1710
Fanning "S"	#1	NE SE Sec. 14	8 5/8"	738'	300sax	Surface	3028'	
			5 1/2"	2939'	500sax	Surface		1703-1722
Fanning "A"	#2	NW SE Sec. 13	8 5/8"	1095'	500sax	Surface	1953'	
			5 1/2"	1953'	450sax	Surface		1681-1833
Leavitt "S"	#9	SW NW Sec. 13	7"	900'	250sax	Surface	1770'	
			4 1/2"	1770'	195sax	Surface		1576-1722
Leavitt "S"	#4	NE NE Sec. 14	8 5/8"	1100'	400sax	Surface	1742'	
			5 1/2"	1740'	380sax	Surface		1670-1680
Terry Tr. 2	#2	NW NE Sec. 14	8 5/8"	1100'	475sax	Surface	1700'	
			5 1/2"	1700'	360sax	Surface		1650-1664
Terry Tr. 3	#3	SE NW Sec. 14	8 5/8"	1095'	450sax	Surface	1743'	
			5 1/2"	1740'	475sax	Surface		1652-1660
<u>Standard of Texas</u>								
L. Vandagriff	#1	SW SW Sec. 13	8 5/8"	1194'	-	Surface	1852'	
			5 1/2"	1849'	295sax	Surface		1813-1826
Leavitt	#1	NW NE Sec. 13	7 5/8"	1103'	-	Surface	1772'	
			5 1/2"	1770'	150sax	700'		1693-1706
Vinther	#1	SE SW Sec. 12	8 5/8"	1187'	-	Surface	1754'	
			5 1/2"	1754'	150sax	700'		1678-1690
Higgins Unit 3	#1	NW SE Sec. 12	7"	1108'	-	Surface	1810'	
			4 1/2"	1804'	300sax	400'		1698-1761
Swearingen Unit	#1	SE NW Sec. 12	7"	924'	-	Surface	1800'	
			3 1/2"	1794'	300sax	Surface		1684-1729
Higgins Unit 2	#1	NW NW Sec. 12	8 5/8"	1198'	-	Surface	1764'	
			5 1/2"	1759'	200sax	400'		1679-1706
Paul Terry	#3	NW NW Sec. 14	8 5/8"	1209'	-	Surface	1740'	
			5 1/2"	1738'	150sax	700'		1634-1666
E. Holland	#1	NE SW Sec. 10	7"	1103'	-	Surface	1850'	
			4 1/2"	1833'	300sax	400'		1513-1748
Ralph Rogers	#3	SE SE Sec. 10	8 5/8"	1207'	-	Surface	1766'	
			5 1/2"	1765'	265sax	Surface		1636-1693
Stroup	#4	SE NE Sec. 10	8 5/8"	1239'	-	Surface	1747'	
			5 1/2"	1744'	150sax	700'		1672-1736
Stroup	#2	SE NW Sec. 11	7 5/8"	1197'	-	Surface	1746'	
			5 1/2"	1746'	150sax	Surface		1539-1584
Stroup	#6	NE NW Sec. 11	7 5/8"	1242'	-	Surface	1783'	
			5 1/2"	1782'	150sax	Surface		1696-1706
M. G. Johnson	#2	NW SW Sec. 11	8 5/8"	1183'	-	Surface	1721'	
			5 1/2"	1720'	250sax	Surface		1652-1686
B. C. Aaron	#1	SE SW Sec. 11	8 5/8"	1158'	-	Surface	1710'	
			5 1/2"	1696'	150sax	700'		1611-1653
<u>Mobil</u>								
D. E. Fanning	#5	NW SW Sec. 12	8 5/8"	1219'	700sax	Surface	1750'	
			5 1/2"	1750'	350sax	Surface		1670-1694
D. E. Fanning	#1	NW SE Sec. 11	8 5/8"	1225'	700sax	Surface	1797'	
			5 1/2"	1797'	350sax	Surface		1654-1672
D. E. Fanning	#4	SE NE Sec. 11	8 5/8"	1288'	900sax	Surface	1772'	
			5 1/2"	1772'	350sax	Surface		1680-1705
Reed Brainard	#2	SE SE Sec. 11	8 5/8"	1242'	750sax	Surface	1799'	
			5 1/2"	1799'	350sax	Surface		1680-1700

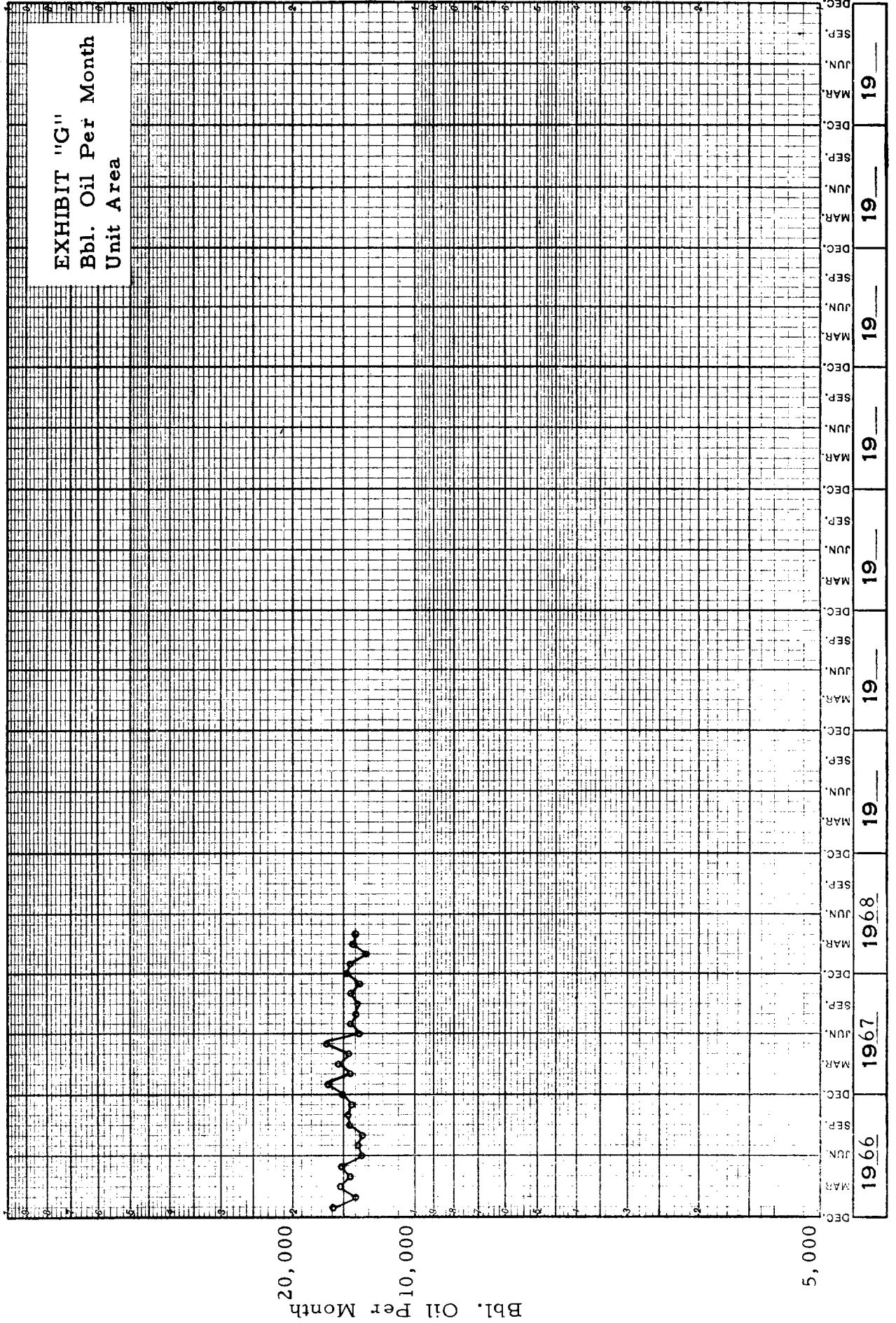


EXHIBIT "H"

Old Lease Names and New Tract Number

		<u>New Tract No.</u>
Standard of Texas -	Eve Holland	1
	R. Rogers, et al	2
	Stroup	3
	Johnson	4
	Aaron	5
Mobil -	Fanning	6
	Reed-Brainard	7
Standard of Texas -	Higgins Com. 2	8
Mobil -	Brainard	9
Standard of Texas -	Swearingen Comm.	10
	Vinther	11
	Higgins Comm. 3	12
	Higgins Comm. 1	13
	Simpson	14
	Terry	15
Kewanee -	Terry Tr. 3	16
	Terry Tr. 2	17
	Terry Tr. 1	18
	Leavitt "S"	19
Standard of Texas -	Leavitt	20
	Higgins	21
Kewanee -	Everest	22
	Fanning "S"	23
	Fanning "A"	24
	Everest Est.	25
Standard of Texas -	McNatt Vandagriff	26
	Lee Vandagriff	27
	A Waldrop	28
Kewanee -	Martin	29
	Rogers "A"	30

KEWANEE OIL COMPANY

POST OFFICE BOX 2239
TULSA, OKLAHOMA 74101

September 20, 1968

Re: Atoka San Andres Unit
Eddy County, New Mexico

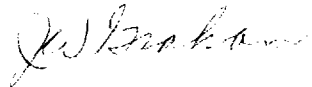
State of New Mexico
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Attention: Mr. Elvis A. Utz, Examiner

Gentlemen:

In accordance with your Order No. R-3475, Case No. 3830, we are enclosing an executed counterpart of the Unit Agreement and an executed counterpart of Certificate of Effectiveness and Revised Exhibits to which are attached First Revised Exhibits A and B to the Unit Agreement. The revised exhibits show corrected descriptions for the original Tracts 13 and 15. Tract 15 has been divided and a portion of it designated as Tract 31.

Yours very truly,



J. W. Graham
Joint Interest Superintendent

JWG:bb
Encl.

CERTIFICATE OF EFFECTIVENESS

AND

REVISED EXHIBITS

ATOKA SAN ANDRES UNIT
EDDY COUNTY, NEW MEXICO

THE STATE OF NEW MEXICO)
) KNOW ALL MEN BY THESE PRESENTS
COUNTY OF EDDY)

Pursuant to the provisions of Section 17.1 of that certain instrument entitled "Unit Agreement, Atoka San Andres Unit, Eddy County, New Mexico", dated February 1, 1968, a counterpart of which is recorded in Book 62, Page 635 of the Miscellaneous Records, Eddy County, New Mexico, the undersigned, Kewanee Oil Company, as Unit Operator, hereby certifies that said Unit Agreement became effective as of 7:00 a.m. on September 1, 1968, according to its terms and as to all Tracts described in original Exhibit A and shown on original Exhibit B attached to said Unit Agreement.

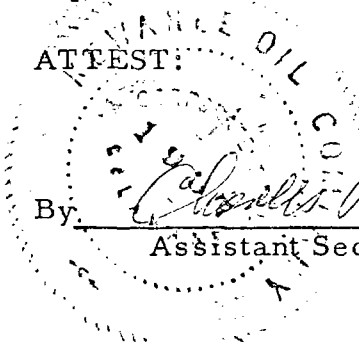
Pursuant to the provisions of Sections 2.4 and 2.5 of said Unit Agreement, Kewanee Oil Company, as Unit Operator, hereby certifies that the original Exhibits A and B to said Unit Agreement have been revised effective as of 7:00 a.m. on September 1, 1968, and such revised exhibits are attached hereto and made a part hereof.

IN WITNESS WHEREOF, this certificate is executed the 13th day of September, 1968.


ATTEST:

KEWANEE OIL COMPANY
Unit Operator

By

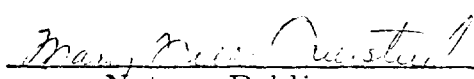

Assistant Secretary

By


Vice President

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this 13th day of September, 1968, by J. M. Harbison, Vice President of KEWANEE OIL COMPANY, a corporation, on behalf of said corporation.


Notary Public

My Commission Expires:

My commission expires July 31, 1969

FIRST REVISED

EXHIBIT A

TO

UNIT AGREEMENT
ATOKA SAN ANDRES UNIT
EDDY COUNTY, NEW MEXICO
(Effective 9-1-68)

Tract No.	Description of Acreage	Acres	Percent Tract Participation	
			Phase I	Phase II
	<u>All in T-18S, R-26E</u>			
1	S/2 SW/4 and NE/4 SW/4 Section 10	120	0.61607	0.14999
2	SE/4 and W/2 NE/4 Section 10, except the south eight feet of W/2 NE/4 of said Section 10	239.76	5.26099	4.98037
3	E/2 NE/4 and the south eight feet of W/2 NE/4 Section 10 and NW/4 and W/2 NE/4 Section 11	320.24	4.47865	3.44932
4	N/2 SW/4 Section 11	80	3.10536	3.81462
5	S/2 SW/4 Section 11	80	5.05309	6.84052
6	N/2 SE/4 and SE/4 NE/4 Section 11 and W/2 SW/4 Section 12	200	5.98666	7.59756
7	S/2 SE/4 Section 11	80	4.42816	6.06825
8	NW/4 NW/4 Section 12	40	0.37344	0.26782
9	SW/4 NW/4 Section 12	40	1.30669	1.58918
10	SE/4 NW/4 Section 12	40	1.57674	0.88946
11	E/2 SW/4 Section 12	80	3.12812	3.46707
12	NW/4 SE/4 Section 12	40	1.95490	0.96971
13	SW/4 SE/4 Section 12	40	1.07080	0.87744
14	N-2/3 NW/4 and N-2/3 W/2 NE/4 Section 15	160	0.65745	0.54160

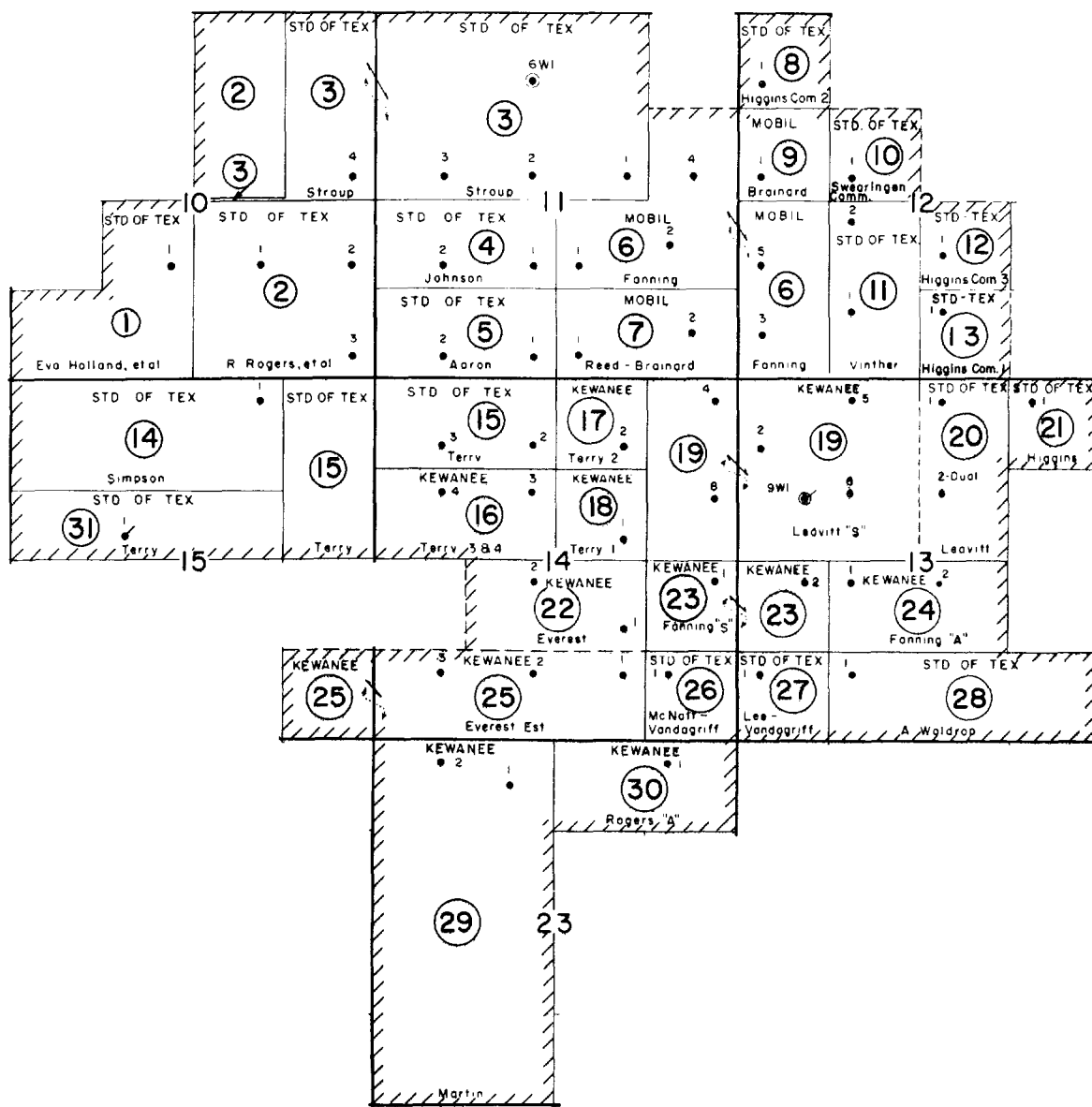
First Revised
Exhibit A to Unit Agreement
Atoka San Andres Unit
Eddy County, New Mexico

Tract No.	Description of Acreage	Acres	Percent Tract Participation	
			Phase I	Phase II
15	N/2 NW/4 Section 14 and E/2 NE/4 Section 15	160	3.54458	4.36070
16	S/2 NW/4 Section 14	80	4.71166	6.29652
17	NW/4 NE/4 Section 14	40	2.83953	3.57065
18	SW/4 NE/4 Section 14	40	3.30305	5.11302
19	NW/4 Section 13 and E/2 NE/4 Section 14	240	5.93227	7.36657
20	W/2 NE/4 Section 13	80	1.53839	1.87370
21	NE/4 NE/4 Section 13	40	0.86334	0.76300
22	NE/4 SW/4 and NW/4 SE/4 Section 14	80	5.59525	8.21095
23	NW/4 SW/4 Section 13 and NE/4 SE/4 Section 14	80	10.19426	5.93534
24	NE/4 SW/4 and NW/4 SE/4 Section 13	80	7.17670	1.60157
25	S/2 SW/4 and SW/4 SE/4 Section 14 and SE/4 SE/4 Section 15	160	3.87042	3.22267
26	SE/4 SE/4 Section 14	40	1.67865	3.45083
27	SW/4 SW/4 Section 13	40	3.17165	2.58531
28	SE/4 SW/4 and S/2 SE/4 Section 13	120	4.92900	2.88836
29	W/2 Section 23	320	0.96881	0.56652
30	N/2 NE/4 Section 23	80	0.53278	0.51945
31	S-1/3 NW/4 and S-1/3 W/2 NE/4 Section 15	80	0.15254	0.17193
TOTALS		3,320	100.00000	100.00000

R 26 E

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LEGEND

////// UNIT BOUNDARY
① TRACT NUMBER

• OIL WELL
- - - - - ABDN. OIL WELL
✓ TEMP. ABDN. OIL WELL
⊙ WATER INPUT WELL

FIRST REVISED
EXHIBIT "B"
TO
UNIT AGREEMENT

ATOKA SAN ANDRES UNIT

EDDY COUNTY, NEW MEXICO

(EFFECTIVE 9-1-68)

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

August 20, 1968

Mr. Richard S. Morris
Montgomery, Federici, Andrews,
Hannahs & Morris
Attorneys at Law
Post Office Box 2307
Santa Fe, New Mexico

Re: Case No. 3830
Order No. R-3475
Applicant:
KEWANEE OIL COMPANY

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other Unit Division and Malcolm Long - State Land Office